Central College Nottingham

Members' report and financial statements

For the year ended 31 July 2015

Members' report and financial statements

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Members' Report

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Central College Nottingham business. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The College was created by the merger of South Nottingham College and Castle College Nottingham in 2011.

Mission

The College mission is simply "We are Central".

Public Benefit

Central College Nottingham is an exempt charity under the Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 12.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

The Public Value Statement, as adopted by the Corporation, describes how the College seeks to add to value to the social, economic and physical well-being of the community.

The College defines its contribution to Nottingham and its community, by the markets it serves by providing education, skills and training linked to key economic priorities to ensure that successful work ready students are available to meet employer needs, and that every individual who comes to the College is supported and developed to raise their ambitions and realise their potential.

Put simply, students are at the heart of everything the College does. "We are Central".

The College creates public value for the Nottingham and Nottinghamshire community by:

- Enabling the acquisition of skills and knowledge, at a range of levels, to meet the current and future workforce needs
- Providing learning to equip students to progress in order to gain higher level qualifications, move into sustainable employment or support career progression
- Developing the confidence, capabilities and aspirations of all learners
- Promoting innovation and entrepreneurship through skills acquisition and broadening horizons
- Developing and managing charitable projects, through Contributes Central Limited, to enable Nottingham young people to raise their aspirations, broaden their horizons and make a positive contribution to their communities
- Delivering high quality services to employers and the wider community which meet their needs
- Participating and leading on collaborative projects to secure inward investment and the promotion of Further Education
- Providing opportunities to individuals and communities facing disadvantage or deprivation in order to find pathways into learning and employment
- Generating overseas investment from its international students and its projects overseas
- Promoting equality, celebrating diversity and ensuring inclusivity in all that we do

Operating and Financial Review *(continued)*

- Contributing to the regeneration of Nottingham
- Contributing to the local economy as a large employer, a purchaser of services as well as a provider of education and training

These public values are achieved by:

- Delivering high quality teaching, learning and assessment
- Producing learners who are successful
- Developing students to secure sustainable employment
- Supporting the development of new skills and knowledge to meet the needs of emerging and growth sectors
- Promoting a culture of safety, inclusivity, and respect where every individual matters and providing an environment where everyone feels safe
- Raising ambitions by challenging learners to be the best they can be
- Maximising strategic partnerships for the benefit of the community including those with the Local Enterprise Partnership, Local Authorities, key stakeholders, new & existing employers and colleges
- Reflecting the needs of the community including learners and employers in the range of the education and training offer
- Valuing our people
- Gathering, listening to and acting on feedback from our learners
- Maximising business efficiency, delivering financial viability and value for money
- Continuous improvement through critical self-evaluation and improvement

The College has a variety of means by which it evaluates its success in fulfilling its responsibilities with regard to learners, staff, funding agencies, employers and the wider community. The College will continue to:

- Monitor, review and improve the quality of education, training and services offered
- Develop existing partnerships and establish appropriate new ones to maximise opportunities to reach out and impact on the lives of potential students
- Lobby to secure investment into the community it serves

The Corporation will review and update the Public Value Statement on an annual basis as part of the Development Planning process.

Implementation of strategic plan

The College operates within four Strategic Success Areas, which underpin the Mission. The four success areas are Market Success, Student Success, Business Success and Development Success.

Financial objectives

The College's financial objectives as stated in its three year development plan 2015/18 can be summarised as the following medium term objectives:

- Increase and maintain the balance sheet current ratio at a level approaching 1.5
- Increase available cash levels to enable the College to invest in the development of its assets
- Support the early stages of Hub development prior to the release of LEP funding

The following are longer term financial objectives:

- Develop and execute the College Property Strategy in partnership with New College Nottingham to gain efficiencies in the College estate
- Improve cash generation to 6% of income
- Stabilise income reductions by continuing to develop the College employer engagement function leading to steadily increasing numbers of apprenticeships

Operating and Financial Review *(continued)*

Performance Indicators

The funding agencies continue to measure Further Education performance in terms of contribution to national targets. Although individual colleges are no longer required to submit three year development plans, Central College Nottingham creates a plan each year. The development plan focuses on four headline targets:

- Improve customer satisfaction with increased enquiries, applications and enrolments
- Deliver a "good" rating at the next Ofsted inspection and work towards being an "outstanding" College
- Improve learner success rates year on year to good levels in excess of national averages
- Improve the financial health of the College to "good"

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Skills Funding Agency ("SFA"). The Finance Record produces a financial health grading. The College was rated as "good" by the SFA in 2013/14.

FINANCIAL POSITION

Financial results

The College generated an operating deficit of £834,000 in 2014/15 (2013/14: £3,200,000) after the inclusion of £780,000 of FRS17 pension costs and £332,000 of restructuring costs. The historical cost deficit was £845,000.

The table below sets out various items which have impacted on the trading result for 2014/15, and shows the adjusted operating surplus after removing them.

	2015	2014
	£'000	£'000
Operating (deficit)/surplus for the year	**(834)**	(3,200)
Restructuring costs	**332**	1,289
FRS17 pension costs	**780**	1,228
Adjusted trading surplus/(deficit) for the year	**278**	(683)

The financial position of the College represents a continued improvement in financial outcomes, particularly in a climate of reducing funding levels. The College recognises that further improvements are needed to support the financial health of the College, and make the desired shift to the "good" financial health grade, as defined by the Skills Funding Agency. The need is more acute as substantial funding reductions continue in the sector.

The College balance sheet remains at a similar level to the previous year. The Peoples First site was sold for £395,000 in July 2015. The Corporation made the decision to close its West Bridgford Centre in January 2014 and the site closed in the summer of 2014. The sale of the site is still progressing. A contract for sale has been signed with Bellway Homes and planning permission was granted on the 13th November 2015. The sale will release significant funds to support operations and the development of the Nottingham Skills Hub in the medium term. The College has already invested a proportion of the future sales proceeds in facilities to support the closure of this main site and also the closure of a leased site in Nottingham City Centre.

Levels of cash are difficult to compare due to the receipt of £1.8m of capital grant from the Skills Funding Agency in the 2013/14 comparative figures. This grant was repaid to the SFA in May 2015 in its entirety. Similarly, the current ratio has reduced from 0.95 to 0.90.

The College has significant reliance on the Skills Funding Agency and Education Funding Agency as its principal funding source. The recurrent grant accounts for 63% (2013/14: 66%) of income, and total funding agency funding accounts for 83% (2013/14: 83%) of College income when employer responsive funding is included.

Operating and Financial Review *(continued)*

The College has the following subsidiary companies:

Name	Nature of business	Surplus/(loss) generated	College voting rights
Central Academy Trust	Education and Training	(£619,000)	100%
Contributes Central Limited	Charitable fundraising	(£1,000)	100%
EMTEC Colleges Limited	Consulting	(£138,000)	100%

Central Academy Trust is incorporated in England and is a company limited by guarantee. It has not been consolidated into the Group accounts in 2014/15 in line with guidance in the Accounts Direction Handbook. Contributes Central Limited (formerly Balls to Poverty Limited) is incorporated in England and is a company limited by guarantee. It is a registered charity with the Charities Commission. It has not been consolidated into the Group accounts in 2014/15 as its turnover was small (£10,000). The activities of EMTEC Colleges Limited have been consolidated into the Group accounts. EMTEC Colleges Limited's financial activity showed an improvement during the financial year. Turnover is increasing and the company sustained significant one-off costs in opening a Wholly Foreign Owned Entity (WFOE) in China. The WFOE is critical to the operation of the China business.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a treasury management policy in place as part of its Financial Regulations.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the LSC and subsequently transferred to the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

At £1,829,000 (*2013/14 – (£406,000)*, operating cash flow was much improved compared to the previous year and represented an operating cash generation rate of 4% (*2013/14 – 1%*) of income. This operating cash in-flow contributed to a net cash outflow of £279,000 after acquisitions of £2,549,000, returns on investments and servicing of finance of £560,000, and net cash in-flow from financing of £1,001,000. In May 2015, £2,178,836 of capital grant from the Skills Funding Agency was repaid to the SFA due to the postponement of a development scheme at its Beeston Centre. The College had requested in autumn 2014 that the funds be transferred to support the Nottingham Skills Hub project. Confirmation that the transfer was not possible arrived in spring 2015, which meant there was no prospect of completing the Beeston Centre project by the end of March 2015.

Liquidity

The College has loans of £17,067,000, and of this £8,500,000 is a revolving loan repayable in September 2016. £9,610,000 is repayable by 2037 as part of a long term debt facility.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Ofsted Inspection

The College had an Ofsted Inspection in November 2014. The outcome of the Inspection was a "requires improvement" grade with a "good" grade for Leadership and Management. The College had one teaching area awarded an "outstanding" grade and four other areas awarded a "good" grade. The College is confident that it is on the path to a "good" grade at its next Ofsted Inspection. The Inspection grades were:

- Overall effectiveness – *requires improvement*
- Outcomes for learners – *requires improvement*
- Teaching, learning and assessment – *requires improvement*
- Leadership and management - *good*

Operating and Financial Review *(continued)*

Student achievements

The overall student success rate (SSR) for 2014/15 is 84% (*2013/14 - 83%*) which is 1% below the national average. The SSR for 16-18 learners is 78% (*2013/14 - 76%*) which represents a 2% increase on the previous year. Apprenticeship numbers have increased in 2014/15 and SSRs have also increased to 75% overall (*2013/14 - 73%*) and 61% timely (*2013/14 - 51%*). Functional skills in English and maths have increased rapidly to 75% (*2013/14 - 66%*).

There are robust action plans in place to deliver further increases in all success rates for 2015/16 with a particular emphasis on further improving attendance and retention on full time courses, improving success rates in English and maths functions skills and continuing the improvement in timely success of all types of apprenticeship delivery.

Future developments

The College resolved to pursue a merger with New College Nottingham at its July Corporation meeting. The merger agreement was the result of an "Area Review" for Nottingham which was undertaken by the FE Commissioner following his intervention at New College Nottingham. The timescale for merging has not been confirmed but a joint Designate Board has been established and due diligence commenced in October 2015.

The College continues to develop its Nottingham Skills Hub property strategy in conjunction with New College Nottingham. In July 2014, the regional Local Enterprise Partnership (D2N2) confirmed that the Nottingham Skills Hub project would receive £30m of Growth Funding. This represents 50% of the funding required to build an iconic and enduring vocational college in the heart of Nottingham. The development would result in the consolidation of most general FE sites in Nottingham city centre. The College has identified a location for the Nottingham Skills Hub and is currently in discussion with the City Council to secure this land and the balance of funding.

The College plans to close its NETA site (Duke Street, New Basford) in the summer of 2016, and dispose of this asset shortly afterwards. Originally, the intention was to close this site in 2015 but the provision was unable to decant into the Highfields Centre as Toyota plan to remain at Highfields until June 2016.

Student numbers

A total of 23,946 learners studied at the College during the 2014/15 academic year. Of these, 6,141 were full time learners with the most (3,105 learners) being aged 16-18. The College also had a growing number of apprentices training on a wide range of provision including construction, motor vehicle, engineering, hair & beauty, business services and science. In total, there were 5,522 apprentices studying at the College in 2014/15, of which 980 were aged 16-18. The College also has 272 higher education students.

Curriculum developments

The College continues to develop its apprenticeship and employer programmes across a number of disciplines, and is experiencing continued growth in the number of employers it works with in the region. The College opened a new hair and beauty outlet in the centre of Nottingham ("Salon Central") which replaced capacity lost with the closure of the West Bridgford Centre. The Centre has been a resounding success and gives learners the opportunity to experience a vibrant commercial outlet in a busy city centre location. The College also opened a football academy in partnership with Basford United in north Nottingham which arms young footballers with vocational skills as well as technical football development. The College launched a commercial servicing and MOT centre as part of its automotive provision, which will develop technical and customer training skills for automotive learners at all levels.

Post balance sheet events

The College committed in principle in July 2015 to a merger with New College Nottingham. A Designate Board has been formed and the due diligence study has been completed. These studies are expected to be formally adopted by both colleges by the end of January 2016. KPMG have been appointed as merger project managers and a consultation document will be released in January 2016. The merged college will be the vehicle that carries forward the project to develop a Nottingham Skills Hub. It is expected that the first tranche of funding for the project will be drawn down in early 2016, and that full planning permission will be submitted to Nottingham City Council at the end of 2016.

Planning permission for the Greythorn Drive site was granted on 13th November 2015. As of the 29th December 2015, the College has clean planning permission, with no judicial review challenge raised.

Operating and Financial Review *(continued)*

In January 2016, the Skills Funding Agency confirmed that the College had a financial health score equalling "inadequate" financial health. This is based on the treatment of the Greythorn Drive sale in the balance sheet. A financial notice of concern would be issued but the Skills Funding Agency has already confirmed that this would not lead to further intervention from the FE Commissioner or the need for a recovery plan.

Payment performance

The Late Payment of Commercial Debts (interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of an agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The College incurred no material interest charges in respect of late payment for this period.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives.

Financial
The College has £4,901,000 of net assets. Cash balances stand at £1,423,000.

People
The College has a headcount of 875 people (expressed as full time equivalents) of which 412 are direct teaching staff (also expressed as full time equivalents).

Reputation
The College has an excellent reputation locally with improving success rates in 2014/15 and successful relationships with schools, employers and other partners in Nottingham, regionally, nationally and internationally.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the senior management team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, there is also a consideration of any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and Corporation and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and those responsible for the reduction and mitigation of the risks. Risks are prioritised using a consistent scoring system from the College Risk Management Policy, which is reviewed every two years. Training is undertaken periodically to raise awareness of risk in the College, and key departmental managers have their risk registers reviewed on a quarterly basis as part of the College performance monitoring sessions.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Government funding

The College has considerable reliance on continued government funding through the Skills Funding Agency, Education Funding Agency and HEFCE. In 2014/15, 83% of the College's revenue was public funded and this proportion is expected to continue despite falling levels of public funding. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. This is particularly true of adult skills budget funding, which is likely to reduce dramatically over the next three years.

Operating and Financial Review *(continued)*

This risk is mitigated in a number of ways:

- The College continues to strive for improvements in quality in education and training, with benefits for the learners and financial benefits for the College
- For adult skills funding, the College has assumed future funding reductions of 20% per year
- The majority of funding reductions can be accommodated through reductions in low margin partnership provision

2. Tuition fee policy

In line with the majority of other Colleges, the College will seek to increase tuition fees in accordance with the rising fee assumptions. 24+ loan allocations will be difficult to achieve in their entirety but the College is starting to see some growth in demand in areas where loans are prevalent. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.
- Close monitoring of tuition fees and swift debtor management processes.
- Budget income set at levels below the 24+ loan allocation

3. Controlling pay and non-pay costs and the effects on cash generation

The College invests considerable time in its business planning cycle, and has completed a five year forecast for the period 2015/16 – 2019/20 including the 2015/16 budget. There are a number of risks in maintaining this forecast, and given the uncertain nature of future funding allocations from government sources, growth in turnover is unlikely to be a strategic answer to the improvement of the College's finances:

- Increasing costs of living in a low growth environment and pressure to limit pay increases
- Increases in property running costs leading to higher estates costs
- Unpredictable nature of maintenance costs on the ageing estate
- Increasing legislative and compliance costs, for example the new PREVENT requirements
- Unexpected increases in interest rates leading to increased costs of borrowing
- FRS17 costs continue to increase exponentially with little possibility of planning or accurate estimation

The risks are mitigated in a number of ways:

- The College has planned for 0% cost of living increases in the financial forecast plus incremental increases until later in the plan, where 1% increases are re-established
- Energy prices are competitively tendered for and are locked for a period of up to two years
- Where possible, service improvements and energy efficiency schemes are built into refurbishment projects
- The College continues to look for procurement efficiencies to counter the increase in inflation
- Continuous review of staffing levels both in academic delivery and support services

4. Execution of the Property Strategy

At the point of its 2011 merger, the College operated from 18 sites across the Nottingham conurbation. This presented a number of risks to the College including:

- Financial costs of maintaining a diverse and disparate number of sites, many of which had suffered years of underinvestment and required urgent maintenance and improvement
- The quality of the environment and facilities for learners in the poorer condition sites
- The inefficiency of running similar provision across many sites rather than consolidating onto a single site;

Operating and Financial Review (continued)

- The financial costs of writing down the asset values of many of the disposed sites, many of which were held on the accounts at levels far higher than realisable value;
- The financial costs of consolidating provision and adjusting retained sites to house provision which is being consolidated. This risk is compounded by the financial performance of the College
- The prospect of property disposals being delayed or being transacted at lower values due to the condition of the property market
- The management complexity of running provision and services across geographically diverse site and the implications for organisational management

The College has a clear Property Strategy that addresses these risks but with limited financial reserves and little room to extend the already stretched levels of borrowing, progress is slow and larger projects rely heavily on external sources of funding. However, the College has progressed and has mitigated risks.

- By the summer of 2015, only nine operational sites remained and there are plans to reduce this to eight by the end of summer 2016
- The College closed its first major site, the West Bridgford Centre, in the summer of 2014 with provision relocated mainly to Nottingham City Centre
- The College has £30m of Growth Funding confirmed from the D2N2 Local Enterprise Partnership to support the building costs of the £60m Nottingham Skills Hub. The remaining funding is still a risk to the project.

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with Universities, Central College Nottingham has many stakeholders. These include:

- Students
- Staff
- Governors
- Local MPs
- Funding Agencies
- Local Enterprise Partnership
- Local employers (with specific links)
- Local Authorities
- Government Offices/ Regional Development Agencies
- Corporate partners (banks, solicitors, auditors)
- Sector Skills Councils
- The local community
- Sports clubs and bodies
- Nottingham and Rushcliffe schools and universities
- Other FE institutions
- Partner training providers
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through its website, the local newspapers and meetings.

Equal opportunities

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

Operating and Financial Review (continued)

This policy will be resourced, implemented and monitored on a planned basis. The College's Equality, Diversity and Inclusion Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010.

Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Professional advisers

Financial statements and regularity auditors:
Grant Thornton UK LLP
2 Broadfield Court
Sheffield
S8 0XF

Internal auditors:
Baker Tilly
Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS

Bankers:
Barclays Bank
PO Box 3333
Snow Hill Queensway
Birmingham
B3 2WN

Solicitors:
Eversheds
1 Royal Standard Place
Nottingham
NG1 6FZ

Approved by order of the members of the Corporation on 21st January 2016 and signed on its behalf by:

Carole Thorogood
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2015. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted on the 28th June 2012. The Audit and Accountability Annex to the Foundation Code was issued in March 2013 and was adopted by the College on 25th July 2013.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mrs Carole Thorogood (Chair)	01 Aug 2005	31 July 2017		External	Governance & Search, Remuneration	100%
Mrs Gill Lane (Vice-Chair)	22 Jan 2003	31 July 2018		External	Governance & Search, Remuneration	80%
Mr Clive Rix (Vice-Chair)	01 July 2011	31 July 2016		External	Governance & Search, Audit, Remuneration	100%
Mr Bill Colley	13 Mar 2002	31 July 2015		External	Audit	100%
Mr Malcolm Cowgill	08 Aug 2003			Principal	Governance & Search	100%
Mr Larry Greenwell	01 July 2011	31 July 2017		External	Governance & Search	70%
Mrs Dianne Roden	11 Dec 2014	31 July 2017		External		50%
Mr Stephen Russell	01 July 2011	31 July 2018		External	Audit, Remuneration	90%
Mr Mark Shaw	19 Nov 2012	31 July 2016		External		60%
Mr Richard Cox	18 Dec 2012	31 July 2016		External	Audit	60%
Mr Roger Fletcher	20 Oct 2011	31 July 2015		Staff	Audit	100%
Mr Brendan Coulson	01 Aug 2013	31 July 2017		Staff		70%
Ms Ellie Mae Bates	11 Dec 2014	31 July 2015	26 Mar 2016	Student		67%
Mr John Feely	11 Dec 2014	31 July 2015		Student		25%
Mr Adam Milling	26 Mar 2015	31 July 2015		Student		20%
Mr Ian James	01 May 2007			Clerk to Corporation		

Statement of Corporate Governance and Internal Control *(continued)*

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets ten times per year, and also has strategic planning days involving the senior management team.

The Corporation conducts its business through a number of committees that deal with governance and search, remuneration and audit as described below. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Central College Nottingham
Maid Marian Way Centre
Maid Marian Way
Nottingham
NG1 6AB

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer are separate.

Appointments to the Corporation

There are currently places for 15 members of the Corporation including the Principal, two governors nominated by the College staff and two governors nominated by the students. The size of the Corporation was reduced from 17 in March 2015 in light of difficulties in recruiting replacement governors, and the impending merger with New College Nottingham. Any new appointments to the Corporation are made by the Corporation as a whole. The Corporation has a Governance & Search Committee comprising of five Corporation members which is responsible for the selection and nomination of any new external member for appointment by the Corporation. The Corporation's policy on the selection of members is available on the College website.

Members of the Corporation are appointed for a term of office not exceeding four years. The Corporation maintains a skills audit of members and seeks to ensure that a wide range of skills, expertise and diversity is present amongst governors in order to encourage effective challenge and scrutiny of management plans and actions.

Remuneration Committee

Throughout the year ending 31 July 2015, the College's remuneration Committee comprised of four Corporation members (although there was one vacancy throughout the year). The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders.

There were no meetings of the Remuneration Committee during the 2014/15 financial year.

Details of remuneration for the year ended 31 July 2015 are set out in notes 6 and 7 to the financial statements.

Statement of Corporate Governance and Internal Control *(continued)*

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and it's arrangements for risk management, control and governance processes.

The Audit Committee meets four times a year and provides a forum for reporting by the College's internal, regularity and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Skills Funding Agency and Education Funding Agency organisations, as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment (and reappointment) of internal and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the Skills Funding Agency. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Central College Nottingham for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2015 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control *(continued)*

The risk and control framework

The system of internal control is based on a framework of regular management information, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation.
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service which operates in accordance with requirements of the Education Funding Agency and Skills Funding Agency's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the College's financial statements auditors, the regularity auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Management Team receives reports setting out key performance indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation will carry out an annual assessment for the year ended 31 July 2015 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2015.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Statement of Corporate Governance and Internal Control *(continued)*

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency's terms and conditions of funding, under the financial memorandums in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that ***to the best of its knowledge***, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

Going Concern

The Corporation have considered the financial plan for the period to 31 July 2018, and believe the forecast results display adequate resources to continue in operational existence for the foreseeable future. As part of the approval process for the annual financial statements, the Corporation will also receive a detailed report on going concern. There are financial risks as outlined in Principal Risks and Uncertainties. The reduction in SFA funding is placing financial stress on the sector. Despite the successes achieved in the four years since merger, the College still has nine operational sites and is looking to consolidate further. The proceeds of the sale of West Bridgford Centre are expected in early 2016 and will add to the financial strength of the College. The agreement between the College and New College Nottingham to merge in the next 12 months will release significant efficiencies that will insulate the College against further SFA funding reductions, and will make the proposed Nottingham Skills Hub affordable not only as a symbol of merger, but also as a catalyst for change in both college's properties.

For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 21st January 2016 and signed on its behalf by:

Carole Thorogood
Chair

Malcolm Cowgill
Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

The members of the Corporation of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2014 to2015 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the Skills Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 10th December 2015 and signed on its behalf by:

Carole Thorogood
Chair

Independent auditor's report to the Corporation of Central College Nottingham

We have audited the financial statements of Central College Nottingham for the year ended 31 July 2015 which comprise of the consolidated income and expenditure account, the consolidated statement of the historical cost and surpluses and deficits, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 17, the College's Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2015 and of the Group's deficit of income over expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Joint Audit Code of Practice issued by the Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the College; or
- the College financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
SHEFFIELD
5 February 2016

Reporting accountant's assurance report on regularity to the corporation of Central College Nottingham and Secretary of State for Business, Innovation and Skills acting through Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 October 2015 and further to the requirements of the financial memorandum with Skills Funding Agency
we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Central College Nottingham during the period 1 August 2014 to 31 July 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency in August 2015. In accordance with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Central College Nottingham, as a body, and the Skills Funding Agency, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Central College Nottingham and Skills Funding Agency those matters we are required to state in a limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Central College Nottingham as a body, and Skills Funding Agency as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Central College Nottingham and the reporting accountant

The corporation of Central College Nottingham is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by are imposed by law and professional standards and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

- making enquiries of management;
- analytical procedures;
- evaluation of controls and walkthroughs on a sample of material items
- review of completed and signed self-assessment questionnaire (SAQ);

- review of Board and Committee meeting minutes;
- review of internal audit papers (where relevant); and
- limited testing, on a selective basis, on a number of areas which are considered within the SAQ

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
5 February 2016

Consolidated Income and expenditure account

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Income			
Funding body grants	*2*	**41,427**	42,264
Tuition fees and education contracts	*3*	**4,211**	4,481
Other income	*4*	**4,298**	4,066
Endowment and investment income	*5*	**6**	4
Total income		**49,942**	50,815
Expenditure			
Staff costs	*6*	**24,853**	26,566
Exceptional restructuring costs	*6*	**332**	1,289
Other operating expenses	*8*	**22,527**	23,045
Depreciation	*12*	**2,397**	2,088
Interest and other finance costs	*9*	**817**	982
Total expenditure		**50,926**	53,970
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		**(984)**	(3,155)
Gain/(losses) on disposal of assets		**150**	(45)
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and after exceptional item, including disposal of assets but before tax		**(834)**	(3,200)
Taxation	*10*	**-**	-
Deficit on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets and tax		**(834)**	(3,200)

The income and expenditure account for the College is in respect of continuing activities.

Consolidated Statement of historical cost surpluses and deficits

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Deficit on continuing operations before taxation		**(834)**	(3,200)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*21*	**96**	96
Historical cost deficit for the year before taxation		**(738)**	(3,104)
Historical cost deficit for the year after taxation		**(738)**	(3,104)

Consolidated Statement of total recognised gains and losses

for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		**(834)**	(3,200)
Actuarial losses in respect of pension scheme	*29*	**(3,596)**	(4,282)
Total recognised (losses)/gains since the last period		**(4,430)**	(7,482)

	2015 £'000	2014 £'000
Reconciliation		
Opening reserves	**(3,763)**	3,719
Total recognised losses for the year	**(4,430)**	(7,482)
Closing reserves	**(8,193)**	(3,763)

Balance sheets as at 31 July 2015

	Note	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Fixed assets					
Tangible assets	*12*	**44,464**	**44,464**	45,098	45,098
Investment property	*13*	**5,310**	**5,310**	5,310	5,310
Total fixed assets		**49,774**	**49,774**	50,408	50,408
Current assets					
Debtors	*15*	**1,134**	**1,798**	1,224	1,595
Assets held for resale	*14*	**3,816**	**3,816**	4,060	4,060
Cash at bank and in hand		**1,423**	**1,063**	1,702	1,585
		6,373	**6,677**	6,986	7,240
Less: Creditors - Amounts falling due within one year	*16*	**(6,999)**	**(6,911)**	(7,389)	(7,389)
Net current liabilities		**(626)**	**(234)**	(403)	(149)
Total assets less current liabilities		**49,148**	**49,540**	50,005	50,259
Less: Creditors – amounts falling due after more than one year	*17*	**(17,773)**	**(17,773)**	(16,810)	(16,810)
Less: Provisions for liabilities	*19*	**(2,224)**	**(2,224)**	(2,302)	(2,302)
Net assets excluding pension liability		**29,151**	**29,543**	30,893	31,147
Net pension liability	*29*	**(24,250)**	**(24,250)**	(19,874)	(19,874)
Net assets including pension liability		**4,901**	**5,293**	11,019	11,273
Deferred capital grants	*20*	**13,094**	**13,094**	14,782	14,782
Reserves					
Income and expenditure account excluding pension reserve	*22*	**10,734**	**11,126**	7,442	7,696
Pension reserve	*29*	**(24,250)**	**(24,250)**	(19,874)	(19,874)
Income and expenditure account including pension reserve		**(13,516)**	**(13,124)**	(12,432)	(12,178)
Revaluation reserve	*21*	**5,277**	**5,277**	8,623	8,623
Restricted reserve		**46**	**46**	46	46
Total reserves		**(8,193)**	**(7,801)**	(3,763)	(3,509)
Total funds		**4,901**	**5,293**	11,019	11,273

The financial statements on pages 21 to 47 were approved by the Corporation on 21st January 2016 and were signed on its behalf by:

Carole Thorogood
Chair

Malcolm Cowgill
Accounting Officer

Consolidated Cash flow statement

for the year ended 31 July 2015

	Note	**2015** **£'000**	2014 £'000
Net Cash inflow from operating activities	*23*	**1,829**	406
Returns on investments and servicing of finance	*25*	**(560)**	(544)
Taxation	*10*	**-**	-
Capital expenditure and financial investment	*26*	**(2,549)**	1,551
Cash (outflow)/inflow before use of liquid resources and financing		**(1,280)**	1,413
Financing	*27*	**1,001**	(2,068)
Decrease in cash		**(279)**	(655)

Reconciliation of net cash flow to movement in net funds

	2015 **£'000**	2014 £'000
Decrease in cash in the period (note 24)	**(279)**	(655)
Change in net debt resulting from cash flows (note 24)	**(1,001)**	2,068
Movement in net funds in period	**(1,280)**	1,413
Net debt at 1 August	**(15,719)**	(17,132)
Net debt at 31 July	**(16,999)**	(15,719)

Notes to the financial statements

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP), the Accounts Direction for 2013/14 financial statements and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom Accounting Standards.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash-flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £18,183,000 of loans outstanding with bankers on terms negotiated in 2011 onwards. The loans are secured by a fixed and floating charge over College assets. The terms of the existing agreements are for up to another 24 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. The College has negotiated terms with Barclays Bank to restructure and consolidate its borrowings, and financial results are within the banking covenant restrictions set for financial year 2014/15.

The College has signed a contract of sale with Bellway Homes for its West Bridgford Centre on Greythorn Drive. The planning process for up to 103 new dwellings has been complicated by the proximity of the land to a local secondary school. The proceeds of the sale, which are in the region of £5,200,000, will ultimately be used as a contribution to the development and construction of the Nottingham Skills Hub. However, as the College recovers its cash balances post merger, there is still a working capital requirement during some periods of the financial year. In past years, this need has been met by the College's bankers. It is anticipated that the working capital requirement will be met through the proceeds of the sale of the West Bridgford Centre in early 2016.

The development of the Nottingham Skills Hub has cost the College in the region of £510,000 to date. This cost has not been shared or underwritten by any of the other stakeholders in the scheme. The College and its advisors have undertaken detailed work to consider the financial viability of the scheme, including the valuations of disposals and the capacity to borrow. The College is satisfied that there is sufficient value in the closure and sale of key sites across Nottingham to allow for additional borrowing to support the Nottingham Skills Hub. The proposed merger of the two colleges will release further efficiencies which will address the reductions in SFA funding .

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of the Financial Statements.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and EMTEC Colleges Limited, together with the group's share of the profit less losses and reserves of associated undertakings. Central Academy Trust and Contributes Central are not consolidated into the financial statements of the group. The results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 2, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31 July 2015.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Recognition of income

The recurrent grant from the Skills Funding Agency and Education Funding Agency organisations is that receivable as determined by the results of the funding audit undertaken. The recurrent grant from HEFCE represents the funding allocation attributable to the current financial year and is credited directly to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant is recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery with the Skills Funding Agency and Education Funding Agency. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Other discrete Skills Funding Agency and Education Funding Agency grants received during the year are taken to income as expenditure is incurred in line with specific terms and conditions attached to each fund by the funding bodies.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the funding bodies (see note 34).

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the 'National Health Service'.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met, or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Contributions to the TPS scheme are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Further details of the pension schemes are given in note 29.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Skills Funding Agency.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable.

On adoption of FRS 15, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of up to 60 years. The College has a policy of depreciating major adaptations to buildings over a period of 10-50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset(s) may not be recoverable.

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset's capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party (for example a charitable trust), they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2015. They are not depreciated until they are brought into use. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment costing more than £500 which is purchased as part of a larger project can be capitalised. All other equipment is capitalised at cost. Items are not depreciated until they are brought into use

Equipment is depreciated over its useful economic life as follows:

Technical equipment	-	10% - 20% per year
Motor vehicles	-	25% per year
Office equipment	-	20% - 33.3% per year
Computer equipment	-	25% per year

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Investment and endowment assets

Investment properties are carried under the valuation model at open market value. Listed investments held as fixed assets or endowment assets are stated at market value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Cash

Cash for the purposes of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the main funding body, and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 34 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff dedicated to the administration of Learner Support Fund applications and payments.

Assets held for sale

Fixed assets are transferred to current assets as assets held for sale, at the lower of net book value and net realisable value, when their sale is anticipated in the foreseeable future.

Notes *(continued)*

2 Funding body grants

	2015 £'000	2014 £'000
Main Funding Bodies - Recurrent grant	**31,286**	33,401
HEFCE Recurrent grant	**346**	333
Main Funding Bodies – Non recurrent grants	**9,343**	8,212
Releases of deferred capital grants (note 20)	**452**	318
	41,427	42,264

3 Tuition fees and education contracts

	2015 £'000	2014 £'000
Tuition Fees	**3,949**	4,018
Education Contracts	**262**	463
	4,211	4,481

4 Other Income

	2015 £'000	2014 £'000
Catering, Residence & Conferences	**1,061**	1,063
Other income generating activities	**1,741**	1,688
Rental from investment property	**536**	556
Other grant income	**904**	687
Release from other deferred capital grants (non-funding body)	**56**	72
	4,298	4,066

5 Investment income

	2015 £'000	2014 £'000
Other interest receivable	**6**	4

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the College (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2015 Number	2014 Number
Teaching staff	**412**	520
Non Teaching staff	**463**	515
	875	1,035

Staff costs for the above persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	**20,096**	21,570
Social security costs	**1,334**	1,448
Other pension costs	**3,423**	3,548
Payroll sub total	**24,853**	26,566
Restructuring costs	**332**	1,289
	25,185	27,855

The number of staff, including senior post-holders and other staff, who received annual emoluments excluding pension contributions but including benefits in kind, in the following ranges was:

	2015 Number of senior post-holders	**2015 Number of other staff**	2014 Number of senior post-holders	2014 Number of other staff
£60,001 to £70,000	**-**	**1**	-	-
£70,001 to £80,000	**1**	**1**	1	1
£80,001 to £90,000	**1**	**1**	1	1
£90,001 to £100,000	**2**	**-**	2	-
£100,001 to £110,000	**-**	**-**	-	-
£110,001 to £120,000	**-**	**-**	-	-
£160,001 to £165,000	**1**	**-**	1	-

Notes *(continued)*

7 Emoluments of senior post holders and members

Senior post holders are defined as the Accounting Officer and holders of other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2015 Number	2014 Number
Number of senior post-holders including the Accounting Officer	**5**	5

Senior post-holders' emoluments are made up as follows:

	2015 £'000	2014 £'000
Salaries	**530**	530
Pension contributions	**63**	80
	593	610

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	2015 £'000	2014 £'000
Salary	**165**	165
Pension contributions	**19**	25
	184	190

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees.

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other operating expenses

	2015 £'000	2014 £'000
Teaching costs	**14,514**	13,997
Non-teaching costs	**4,975**	5,100
Premises costs	**3,038**	3,948
	22,527	23,045
Other operating expenses include:		
Auditors' remuneration:		
Financial statements audit	**29**	28
Internal audit	**26**	27
Subsidiary audit costs	**9**	9

Notes *(continued)*

9 Interest payable

	2015	2014
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within five years, by instalments	**-**	-
Repayable wholly or partly in more than five years	**554**	528
	554	528
On finance leases	**12**	20
Pension finance costs	**251**	434
	817	982

10 Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either period.

11 Deficit on continuing operations for the year

The deficit on continuing operations for the year is made up as follows:

	2015	2014
	£'000	£'000
College's deficit for the year	**(696)**	(3,041)
Deficit generated by subsidiary undertakings	**(138)**	(159)
	(834)	(3,200)

Notes *(continued)*

12 Tangible fixed assets (Group and College)

	Land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2014	51,183	11,937	63,120
Additions	-	1,763	1,763
At 31 July 2015	51,183	13,700	64,883
Depreciation			
At 1 August 2014	9,989	8,033	18,022
Charge for year	948	1,449	2,397
At 31 July 2015	10,937	9,482	20,419
Net book value			
At 31 July 2015	**40,246**	**4,218**	**44,464**
At 31 July 2014	41,194	3,904	45,098

The transitional rules set out in FRS 15 Tangible Fixed Assets have been applied. Accordingly the book values at adoption have been retained.

Land and buildings with a net book value of £10,395,998 (2013/14: £10,510,000) have been partly financed from exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Council, to surrender the proceeds.

The net book value of equipment includes an amount of £184,159 (2014: £336,416) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £152,257 (2014: £152,257).

13 Investment property (Group and College)

	Land and buildings	
	2015	2014
	£'000	£'000
Valuation		
At 1 August	**5,310**	5,310
At 31 July	**5,310**	5,310

The investment property is valued on the market value of the land and buildings plus the added value of the rental agreements held with several automotive manufacturers. This valuation is carried out annually.

Notes *(continued)*

14 Assets held for sale

	2015 £'000	2014 £'000
Assets held for sale	**3,816**	4,060

During the year, one asset classified as held for sale in the 2013/14 accounts at an amount of £244,000, People's First, was sold for proceeds of £394,000. The remaining balance consists solely of the asset value of the West Bridgford Centre. A contract for sale has been signed with Bellway Homes. Full, clean planning permission was granted for a residential property development on the site in December 2015.

15 Debtors

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Amounts falling due within one year:				
Trade debtors	**459**	**405**	704	572
Prepayments and accrued income	**629**	**629**	520	520
Other amounts owed by the SFA	**46**	**46**	-	-
Subsidiary undertakings	**-**	**718**	-	503
	1,134	**1,798**	1,224	1,595

16 Creditors: Amounts falling due within one year

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans and overdrafts	**458**	**458**	457	457
Obligations under finance leases	**191**	**191**	154	154
Payments received in advance	**781**	**730**	825	825
Trade creditors	**1,374**	**1,337**	1,364	1,364
Other taxation and social security	**773**	**773**	868	868
Accruals and deferred income	**3,422**	**3,422**	3,041	3,041
Other amounts owed to the SFA	**-**	**-**	680	680
	6,999	**6,911**	7,389	7,389

Amounts owed to the Skills Funding Agency in the previous year is made up of capital grants received by the College in advance of building work commencing.

Notes *(continued)*

17 Creditors: amounts falling due after more than one year

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
Bank loans	**17,725**	**17,725**	16,610	16,610
Obligations under finance leases	**48**	**48**	200	200
	17,773	**17,773**	16,810	16,810

18 Analysis of borrowings

Bank loans and overdrafts are repayable as follows:

Bank loans and overdrafts	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
In one year or less	**458**	**458**	457	457
Between one and two years	**8,968**	**8,968**	7,462	7,462
Between two and five years	**1,459**	**1,459**	1,442	1,442
In five years or more	**7,298**	**7,298**	7,706	7,706
	18,183	**18,183**	17,067	17,067

Bank loans are repayable by instalments due between 1 August 2006 and December 2037.

Finance leases	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
In one year or less	**191**	**191**	154	154
Between two and five years	**48**	**48**	200	200
	239	**239**	354	354

Notes *(continued)*

19 Provisions for liabilities (Group and College)

	Enhanced Pensions £'000	Other provisions £'000	Total £'000
At 1 August 2014	1,934	368	**2,302**
Payments in the period	(154)	(190)	**(344)**
Transferred from income and expenditure account	78	-	**78**
Actuarial Loss	188	-	**188**
At 31 July 2015	2,046	178	**2,224**

The enhanced pension provision relates to the cost of staff that have already left the College's employment. The provision has been recalculated in accordance with the guidance provided by the Skills Funding Agency.

The principal assumptions for this calculation are:

	2015	2014
Price inflation	**1.75%**	2.25%
Discount rate	**3.46%**	4.06%

Of the other provisions, £122k relates to dilapidation, £56k represents onerous lease costs for the vacated Bingham premises with £62k being utilised during the year. £129k has been utilised for dilapidations.

20 Deferred capital grants (Group and College)

	SFA and predecessor £'000	Other grants £'000	Total £'000
At 1 August 2014	12,400	2,382	**14,782**
Cash received	958	41	**999**
Amounts repaid	(2,179)	-	**(2,179)**
Released to income and expenditure account	(452)	(56)	**(508)**
At 31 July 2015	10,727	2,367	**13,094**

21 Revaluation reserve (Group and College)

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
At 1 August 2014	**8,623**	**8,623**	8,719	8,719
Release for historic assets	**(3,250)**	**(3,250)**	-	-
Depreciation on revalued assets	**(96)**	**(96)**	(96)	(96)
At 31 July 2015	**5,277**	**5,277**	8,623	8,623

During the year, management performed a detailed review of the revaluation reserve and identified balances relating to assets no longer owned by the college. These balances have been transferred to the general reserve.

Notes *(continued)*

22 Movement on general reserves

	Group 2015 £'000	College 2015 £'000	Group 2014 £'000	College 2014 £'000
At 1 August 2014	**(12,432)**	**(12,178)**	(5,046)	(4,951)
Deficit for the year	**(834)**	**(696)**	(3,200)	(3,041)
Transfer from revaluation reserve to income and expenditure account	**3,346**	**3,346**	96	96
Actuarial loss in respect of pension scheme	**(3,596)**	**(3,596)**	(4,282)	(4,282)
At 31 July 2015	**(13,516)**	**(13,124)**	(12,432)	(12,178)

Balance represented by:	**£'000**	**£'000**	£'000	£'000
Pension reserve	**(24,250)**	**(24,250)**	(19,874)	(19,874)
Income and expenditure account excluding pension reserve	**10,734**	**11,126**	7,442	7,696
At 31 July 2015	**(13,516)**	**(13,124)**	(12,432)	(12,178)

23 Reconciliation of operating surplus to net cash in from operating activities

	2015 £'000	2014 £'000
Deficit on continuing operations after depreciation of assets at valuation	**(834)**	(3,200)
Depreciation (note 12)	**2,397**	2,088
Deferred capital grants released to income (notes 2 and 4)	**(508)**	(390)
(Profit)/Loss on disposal of tangible fixed assets	**(150)**	45
Interest receivable (note 5)	**(6)**	(4)
Interest payable (note 9)	**817**	982
Pension costs less contribution payable (note 29)	**529**	794
Decrease/(increase) in debtors	**90**	(42)
(Decrease)/increase in creditors	**(428)**	310
(Decrease)/increase in provisions	**(78)**	(177)
Net cash inflow from operating activities	**1,829**	406

Notes *(continued)*

24 Analysis of changes in net funds

	Restated at 1 August 2014 £'000	Cash flows £'000	Non cash movements £'000	At 31 July 2015 £'000
Cash at bank and in hand	1,702	(279)	-	**1,423**
Debts due within a year	(457)	457	(458)	**(458)**
Debts due beyond a year	(16,610)	(1,573)	458	**(17,725)**
Finance leases	(354)	115	-	**(239)**
Total	(15,719)	(1,280)	-	**(16,999)**

The disclosure at 31 July 2014 included an error in the classification between debts due within a year and debts due beyond a year. The opening balances have been restated to amend this.

25 Returns on investment and servicing of finance

	2015 £'000	2014 £'000
Interest received	**6**	4
Interest paid	**(554)**	(528)
Interest element of finance leases	**(12)**	(20)
Net cash outflow from returns on investments and servicing of finance	**(560)**	(544)

26 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	**(1,763)**	(2,056)
Sale of tangible fixed assets	**394**	885
Deferred capital grants (repaid)/received	**(1,180)**	2,722
Net cash (outflow)/inflow for capital expenditure and financial investment	**(2,549)**	1,551

Notes *(continued)*

27 Financing

	2015 £'000	2014 £'000
Debt due beyond a year:		
- Repayment of amounts borrowed	**(457)**	(1,943)
- Drawdowns of new financing	**1,573**	-
- Capital element of finance lease rental payments	**(115)**	(125)
Net cash inflow/(outflow) from financing	**1,001**	(2,068)

28 Major non-cash transactions

	2015 £'000	2014 £'000
FRS17 Pension service cost	**529**	794
FRS17 Pension finance cost	**251**	434

29 Pensions and similar obligations – Group and College

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Nottinghamshire County Council. Both are defined-benefit schemes.

Total pension cost for the year		**2015 £'000**		2014 £'000
Teachers' Pension Scheme: contributions paid		**1,222**		1,363
Local Government Pension Scheme:				
Contributions paid	**1,401**		1,391	
Additional FRS 17 service cost	**529**		794	
Charge to the Income and Expenditure Account (staff costs)		**1,930**		2,185
Enhanced pension charge to Income and Expenditure Account (staff costs)		**270**		52
Total Pension Cost		**3,422**		3,600

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2013.

There were outstanding contributions of £636,700 for Local Government at the end of the financial year.

Notes *(continued)*

29 Pensions and similar obligations – Group and College (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1 January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The last formal actuarial valuation undertaken for the Teachers' Pension Scheme was completed in 2004. Consequently, a formal actuarial valuation would have been due by 2008. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

As noted, the last formal valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%.

Notes *(continued)*

29 Pensions and similar obligations – Group and College (continued)

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

Scheme Changes

From 1 April 2012 to 31 March 2014, the employee contribution rate ranged between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary, with Employer contributions set at 14.1%. With effect from 1st April 2014 the employee contributions rates were increased and ranged between 6.4% and 12.4%, depending on a member's Full Time Equivalent salary, with Employer contributions set to increase to 16.4% from September 2015.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

The Proposed Final Agreement can be found at:
http://media.education.gov.uk/assets/files/ppt/t/tps%20proposed%20final%20agreement.pdf

The pension costs paid to TPS in the year amounted to £1,972,000 (2014: £2,198,000)

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme
The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Nottinghamshire County Council. The total contribution made for the year ended 31 July 2015 was £1,401,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

FRS 17

Principal Actuarial Assumptions
The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2015 by a qualified independent actuary

	2015	2014
Inflation CPI	**2.60%**	2.70%
Rate of increase in salaries	**4.40%**	4.50%
Rate of increase in pensions	**2.60%**	2.70%
Discount rate for liabilities	**3.80%**	4.50%
Commutation of pensions to lump sums	**50%**	50%

Notes *(continued)*

29 Pensions and similar obligations – Group and College (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2015	At 31 July 2014
Retiring today		
Males	**22.10**	22.00
Females	**25.20**	25.10
Retiring in 20 years		
Males	**24.20**	24.10
Females	**27.60**	27.40

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Value at 31 July 2015 £'000	Long term rate of return Expected at 31 July 2014	Value at 31 July 2014 £'000
Equities	**28,658**	6.60%	25,552
Bonds	**4,017**	3.4 – 4.0%	4,323
Property	**4,424**	5.90%	3,979
Cash	**1,285**	3.20%	1,516
Other	**1,131**	3.40%	-
Total market value of assets	**39,515**		35,370
Present value of scheme liabilities			
Funded	**(63,696)**		(55,177)
Unfunded	**(69)**		(67)
Deficit in the scheme	**(24,250)**		(19,874)

Analysis of the amount charged to the income and expenditure account

	2015 £'000	2014 £'000
Employer service cost (net of employee contributions)	**1,933**	2,187
Total operating charge	**1,933**	2,187

Notes *(continued)*

29 Pensions and similar obligations – Group and College (continued)

Analysis of pension finance income

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	**2,153**	1,817
Interest on pension scheme liabilities	**(2,404)**	(2,251)
Net Pension finance charges	**(251)**	(434)

Amounts recognised in the statement of total recognised gains and losses (STRGL)

	2015	2014
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	**1,190**	(356)
Experience (losses)/gains	**(2)**	2,733
Changes in assumptions underlying the present value of the scheme liabilities	**(4,784)**	(6,659)
Actuarial losses recognised in STRGL	**(3,596)**	(4,282)

Movement in deficit during year

	2015	2014
	£'000	£'000
Deficit in scheme at beginning of year	**(19,874)**	(14,364)
Movement in year:		
Current service charge	**(1,933)**	(2,187)
Employer contributions	**1,399**	1,443
Unfunded pension payments	**5**	5
Net interest	**(251)**	(434)
Settlements and curtailments	**-**	(55)
Actuarial loss	**(3,596)**	(4,282)
Deficit in scheme at end of year	**(24,250)**	(19,874)

Notes *(continued)*

29 Pensions and similar obligations – Group and College (continued)

Asset and Liability Reconciliation

	2015	2014
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	**(55,244)**	(46,157)
Service cost	**(1,933)**	(2,187)
Interest cost	**(2,404)**	(2,251)
Employee contributions	**(571)**	(574)
Actuarial loss	**(4,786)**	(5,388)
Benefits paid	**1,168**	1,363
Losses on curtailments	**-**	(55)
Unfunded pension payments	**5**	5
Liabilities at end of period	**(63,765)**	(55,244)
Reconciliation of Assets		
Assets at start of period	**35,370**	31,793
Expected return on assets	**2,153**	1,817
Actuarial gain	**1,190**	1,106
Employer contributions	**1,404**	1,448
Employee contributions	**571**	574
Benefits paid	**(1,173)**	(1,368)
Assets at end of period	**39,515**	35,370

The estimated value of employer contributions for the year ended 31 July 2016 is £1,396,000.

Deficit contributions

The College does not have an arrangement in place to make additional contributions.

History of experience gains or losses

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on assets	**1,190**	1,106	3,791	(1,663)	1,135
Experience gains and losses on scheme liabilities	**(2)**	1,271	(3)	(20)	3,780
Total amounts recognised in statement of total recognised gains and losses	**(3,596)**	(4,282)	281	(2,104)	6,096

Notes *(continued)*

30 Related Party Transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £91 relating to one governor; (2013/14: £517; one governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity or training events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2013/14: £Nil).

Contributes Central Limited – a subsidiary of Central College Nottingham
There were no purchase transactions in the year (2013/14 – £Nil). There were no balances outstanding at the year end (2013/14 – £Nil)

EMTEC Colleges Limited – a subsidiary of Central College Nottingham
There were no purchase transactions in the year (2013/14 – £Nil). There was an outstanding debtor at the year end of £717,000 (2013/14: £503,000).

31 Capital commitments

There are no capital commitments at 31 July 2015 (2014: £Nil).

32 Financial commitments

	2015		2014	
	Land & Buildings	**Other**	Land & Buildings	Other
	£'000	**£'000**	£'000	£'000
Expiring within one year	**298**	-	237	-
Expiring between two and five years inclusive	**782**	-	50	-
Expiring in over five years	**425**	-	-	-
	1,505	-	287	-

33 Post Balance Sheet Events

Planning permission for the residential development at the former West Bridgford Centre on Greythorn Drive was granted on the 13th November 2015 and the judicial review period expired without challenge on the 29th December 2015.

The College committed in principle in July 2015 to a merger with New College Nottingham. A Designate Board has been formed and the due diligence study has been completed. These studies are expected to be formally adopted by both colleges by the end of January 2016. KPMG have been appointed as merger project managers and a consultation document will be released in January 2016, with a vesting date planned for summer 2016. The merged college will be the vehicle that carries forward the project to develop a Nottingham Skills Hub. It is expected that the first tranche of funding for the project will be drawn down in early 2016, and that full planning permission will be submitted to Nottingham City Council at the end of 2016.

Notes *(continued)*

33 Post Balance Sheet Events *(continued)*

In January 2016, the Skills Funding Agency confirmed that the College had a financial health score equalling "inadequate" financial health. This is based on the treatment of the Greythorn Drive sale in the balance sheet. A financial notice of concern will be issued by the Skills Funding Agency. The Agency has confirmed that, considering the planned merger with New College Nottingham and the College's previous involvement with the Nottingham City Wide Review, there will be no further intervention from the FE Commissioner or a need for a recovery plan.

34 Amounts Disbursed as Agent

Discretionary Learner Support Funds	**2015**	2014
	£'000	£'000
Funding body grants	**2,070**	1,761
		1,761
Disbursed to students	**(1,936)**	(1,689)
Administration costs	**(93)**	(61)
Balance unspent as at 31 July, included in creditors	**41**	11

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.

The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.

35 Contingent liability

The College had no contingent liabilities as at 31 July 2015 (2013/14: £nil).

The College has received grant income over many years. The funding bodies have clawback arrangements in place for many of the grants and the College may have to pay monies back in the event of an unsatisfactory audit.